

VZCZCXYZ0000
OO RUEHWEB

DE RUEHUNV #0220/01 1311416
ZNY SSSSS ZZH
O 111416Z MAY 09
FM USMISSION UNVIE VIENNA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9444
INFO RUEHEG/AMEMBASSY CAIRO IMMEDIATE 0227
RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 1646
RHEBAAA/DOE WASHDC IMMEDIATE

S E C R E T UNVIE VIENNA 000220

SIPDIS

DEPT FOR ISN/RA AND IO/T

E.O. 12958: DECL: 05/08/2034
TAG PARM, PREL, KNNP, IAEA, MNUC, EG
SUBJECT: IAEA/EGYPT: SAFEGUARDS IMPLEMENTATION REPORT CITES
INVESTIGATION OF LEU/HEU PARTICLES FOUND AT INSHAS NUCLEAR
CENTER

REF: 05 UNVIE 00136

Classified By: CHARGE D'AFFAIRE GEOFFREY PYATT FOR REASONS 1.4 (B) AND (D)

Summary, Comment and Recommendation

1. (SBU) The IAEA's Safeguards Implementation Report (SIR) for 2008, an annual report on safeguards worldwide, includes a country-specific section on Egypt citing for the first time an ongoing investigation of findings in 2007 and 2008 of HEU and LEU particles at the Inshas research center. The key sentence reports that although the Agency "has no indication contrary to Egypt's explanations" for the presence of the enriched uranium (i.e., the uranium particles came from contamination on imported radioisotope containers), the Agency "has not yet identified the source of the particles" and will continue to investigate according to its "procedures and practices." The Report specifies that additional environmental samples will be required. The SIR section on Egypt also concludes that earlier issues of undeclared nuclear activities and material reported to the Board in February 2005 (GOV/2005/9) are no longer outstanding, effectively de-linking the current issue of contamination from the past safeguards problems.

2. (S) The SIR report refrains from characterizing safeguards implementation in Egypt as "routine." Rather, for purposes of presentation in the SIR, Egypt is placed on similar footing with Iran, Syria and DPRK with a country-specific section in the table of contents. Including Egypt in the SIR report in this manner is a step short of making Egypt the subject of a country-specific safeguards report as in 2005, and as has been the case for Iran, Syria and DPRK. Nevertheless, the optics of being classed in the same category as the others in the SIR report are not good for Egypt. Egypt has already begun playing down the report as "old news" by conflating the new HEU/LEU finding with the 2005 issues. We fully expect Egypt to take this tack in the June Board meeting which will consider the SIR report along with country-specific reports on Iran and Syria. Prompted by the Syrian case, the June Board will also discuss the issue of "de-restricting" Board documents, such as the DG's reports on safeguards investigations. The immediate leak of the restricted draft SIR will likely be cited by Egypt as it argues against release of the DG's reports, a likelihood foreshadowed by statements already appearing in press from the Egyptian MFA spokesman. As an IAEA Board member and representative of the NAM troika, Egypt is one of the more unhelpful delegations (next to Cuba) on the Board, particularly on Iran and Syria issues, and in the IAEA General Conference (GC) on Middle East safeguards.

13. (S) Recommendation and Guidance Request: Mission requests any guidance for responding to the SIR. We recommend that our statement to the June Board supports the strengthened safeguards approach in Egypt and clearly welcomes and appreciates Egypt's full cooperation with those efforts. We believe such a U.S. posture would be the best means for using the SIR report as a source of leverage against Egypt to persuade Cairo to be more cooperative in the Board and GC. For example, expressing concern about the HEU finding in Egypt, or threatening to do so (as Israeli Ambassador Michaeli suggested to us), in national statements on the SIR (which would be reflected in the Board Chair's Summary) could

be a point of leverage. However, overplaying our hand in this regard could also provoke a defensive reaction from Cairo, making Egypt even less cooperative at the IAEA. We recommend a measured, positive approach calibrated to the knowledge (as the Secretariat has told us in confidence) that there is likely a benign explanation for the presence of the uranium contamination, not the tip of a nuclear weapons program iceberg. A positive approach, both in Vienna and Cairo, taking account of other equities we may have with Egypt, could be used to build some currency toward a renewed sense of common purpose with Egypt at the IAEA.
End Summary, Comment, and Recommendation.

Safeguards Implementation Report 2008

14. (SBU) The annual Safeguards Implementation Report (SIR) for 2008 was issued on May 5 as GOV/2009/24. The SIR provides a description and analysis of the Agency's

safeguards operations worldwide in 2008 and summarizes the problems encountered. Egypt received its own section in the report (see para 13 below for full text), along with Iran and Syria. The SIR addresses two distinct issues on Egypt: 1) for the first time informing the Board of HEU and LEU particles found in environmental samples taken at Inshas Nuclear Center in 2007-2008; and 2) closing out other outstanding issues related to Egypt's past undeclared nuclear activities and materials (reported to the Board in February 2005 in GOV/2005/9). There is no change to the Agency's conclusion that all declared nuclear material in Egypt remained in peaceful activities for 2008. As Egypt does not have an Additional Protocol, there is no conclusion on undeclared nuclear material or activities.

15. (S) Although this new finding of HEU and LEU contamination at Inshas is established as a distinct issue from the past safeguards problems reported to the Board in February 2005, the Secretariat/Director General reports both issues in tandem in the context of the SIR document. (Comment: Although we suspect access/procedures related to the previous investigation may have contributed to the finding of uranium contamination, Mission believes the IAEA reported it as "new" to illustrate Egyptian cooperation on the earlier issues, therefore making the reporting of the new issue more palatable to Egypt. The optics of the alternative, issuing a special report on Egypt as is the case with Iran, Syria and DPRK would have been far more damaging. End comment.)

Reaction to the IAEA's HEU Finding

16. (S) According to the SIR, Egypt has stated to the IAEA that it "believed the particles could have been brought into the country through contaminated radioisotope transport containers." The Agency notes that it will continue its investigation - including taking additional environmental samples - to determine the source of the uranium particles but "has no indications contrary to Egypt's explanation." The Secretariat notably does not characterize this investigation as a "routine," but instead says it will be

investigated in accordance with the Agency's "procedures and practices." The Secretariat's investigation will be geared toward confirming the origins of the HEU and LEU and how they may have ended up in Egypt. Secretariat contacts have told us (strictly protect) they do not so far see any indication that this finding could be the tip of a covert nuclear military or weapons program. They see as much more likely possible benign explanations, such as the contamination originating from an old uranium standard or some other very small quantity of uranium that was enriched elsewhere.

¶7. (S) The SIR section on Egypt has already generated negative press for Egypt, including the fact that the HEU may have been near weapons-grade. Thus far the Egyptian reaction in Vienna has been "no comment" (both the Ambassador and DCM were absent when it came out) and Cairo seems inclined to downplay the issue (incorrectly) as "old news" by conflating the issue with the 2005 report. One press report even speculated that it could have been prompted by Bechtel losing a contract bid to build a reactor in Egypt. Another press report foreshadowed Egypt citing the immediate leakage of the "Board restricted" SIR draft during the upcoming June Board discussion of derestriction of Board documents. Egypt helped prompt the coming June Board discussion by joining others in resisting release of DG ElBaradei's reports on Syria. The reaction among other delegations in Vienna has also been relatively muted. The Australian Mission assessed that the SIR did not give rise to proliferation concerns at this stage but that the issue remains open until the Agency is able to determine the source of the HEU particles. The Canadian Mission was still assessing the implications and importance of the report. France also awaits guidance from Paris.

Background of Past Egypt Noncompliance

¶8. (SBU) Egypt was cited in the 2004 SIR report after findings of undeclared material and activities. The Director General issued a report to the Board on February 14, 2005 with details of the problems that the Agency had uncovered in Egypt. (Comment: Discovery of the undeclared activity was particularly noteworthy for the fact that the IAEA launched the investigation on its own after reviewing open source documents that suggested activities not yet declared to the

Agency, i.e., there was no tip-off from member state intelligence. End comment.) The undeclared activity related to uranium extraction and conversion, irradiation of uranium targets and reprocessing that had not been reported to the Agency.

¶9. (SBU) The 2005 DG report noted Egypt's active participation in addressing the Agency's outstanding questions, and the Chairman's conclusion from the March 2005 Board of Governors meeting supported the Agency's investigation and welcomed Egypt's cooperation. No resolution was passed at the March 2005 Board on Egypt's failure to report nuclear materials and activities; thus, the Board made no formal finding of noncompliance and made no report to the UN Security Council. The U.S. statement at the March 2005 Board welcomed Egypt's cooperation with the Agency, while also noting the safeguards failures were a matter of concern. As noted, the newly released 2008 SIR closes out these past issues.

¶10. (SBU) The DG concluded in his February 2005 (GOV/2005/9) report that the Agency identified a number of failures by Egypt to act in accordance with its obligations under its Safeguards Agreement and that these failures were a matter of concern:

-- Failure to report on its initial inventory of imported UF₄, imported and domestically produced uranium metal, imported thorium compounds, small quantities of domestically produced UO₂, UO₃, and UF₄, and a number of unirradiated low

enriched and natural uranium fuel rods;

-- Failure to report the uranyl nitrate and scrap UO2 pellets, and their use for acceptance testing of the Hydrometallurgy Pilot Plant;

-- Failure to report the irradiation of small amounts of natural uranium and thorium and their subsequent dissolution in the Nuclear Chemistry Building laboratories, including the production and transfer of waste;

-- Failure to provide initial design information for the Hydrometallurgy Pilot Plant and the Radioisotope Production Facility, and modified design information for the two reactors.

¶11. (SBU) During the March 2005 Board (see reftel), Members uniformly expressed their satisfaction with Egypt's cooperation with the IAEA and concluded that Egypt's failures to declare nuclear material, activities, and facilities in a timely fashion were not a matter of proliferation concern. Members justified this conclusion by arguing that some activities were published in open sources and were, therefore, not clandestine; that some of them occurred 15-40 years ago, even before Egypt signed the NPT and concluded a Safeguards agreement; and that only small amounts of nuclear material were involved. Egypt, at the time, added that any failure to report arose from different interpretations of Egypt's Safeguards Agreement.

¶12. (SBU) The 2008 SIR indicates that between 2004 and 2006, Egypt made available to the Agency nuclear material, submitted design information for three additional facilities, and gave the Agency access to information, such as logbooks and operating records. Egypt also strengthened the authority of its Atomic Energy Authority to exercise effective control of all nuclear material and activities in the State. As a result of Egypt's actions, the Agency concludes in the 2008 SIR that it has been able to verify all declared nuclear material in Egypt and that Egypt's statements are consistent with the Agency's findings. (See para 13 for full text.)

SIR Text on Egypt

¶13. (SBU) Begin text of SIR (GOV/2009/24) paragraphs 42-47 dealing with Egypt:

B.1.7. Arab Republic of Egypt

¶42. Following Agency enquiries, Egypt, between 2004 and 2005, disclosed past undeclared nuclear activities and material to the Agency, as reported to the Board in February 2005 (GOV/2005/9) and in the Safeguards Implementation Report for 2005 (GOV/2006/31, paragraph 124). The results of the

Agency's investigation since the issuance of these reports, and the Agency's current assessment thereof, are described below.

¶43. Between 2004 and 2006, Egypt made available to the Agency nuclear material that it had failed to report. Egypt characterized and provided information about the material and submitted design information for three additional facilities located at the Nuclear Research Centre of Inshas (the Nuclear Chemistry Building, the Hydrometallurgy Pilot Plant, and the Radioisotope Production Facility). Egypt also gave the Agency access to information, such as logbooks and operating records, and access to personnel and locations related to its conversion and irradiation experiments and its preparatory activities related to reprocessing.

¶44. The Agency was informed in 2004 by Egypt's SSAC, the Atomic Energy Authority (AEA), that it did not have the authority necessary for it to exercise effective control of all nuclear material and activities in the State. A

Presidential Decree was issued in May 2006 to redefine the AEA's authority. Ministerial Decrees were issued in October 2006 for the practical implementation of the Presidential Decree. The AEA then undertook a State-wide investigation of its nuclear material holdings, during which additional, previously unreported, nuclear material was identified, including several depleted uranium items for which Egypt subsequently provided accounting reports.

¶45. The Agency has received relevant nuclear material accounting reports, and has been able to verify all declared nuclear material in Egypt. Egypt has also clarified issues relating to its past undeclared activities carried out at the laboratories of the AEA at Inshas and at the laboratories of the Nuclear Material Authority at El Qattamiah. The Agency has concluded that Egypt's statements are consistent with the Agency's findings, and that the issues raised in the report to the Board are no longer outstanding.

¶46. In 2007 and 2008, some high enriched uranium (HEU) and low enriched uranium (LEU) particles were found in environmental samples taken at Inshas. Egypt stated that, as a result of an investigation carried out to identify the source of the particles, it believed the particles could have been brought into the country through contaminated radioisotope transport containers. Although the Agency has no indications contrary to Egypt's explanations, it has not yet identified the source of the uranium particles. It will continue, in accordance with its procedures and practices, to seek to clarify this issue as part of its ongoing verification activities; this will include taking additional environmental samples.

¶47. For 2008, the Agency found no indication of the diversion of declared nuclear material in Egypt. Therefore, the Agency was able to conclude for Egypt that all declared nuclear material remained in peaceful activities.
PYATT